

**REPORT OF THE AUDIT OF THE
MARSHALL COUNTY
SHERIFF**

**For The Year Ended
December 31, 2004**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MARSHALL COUNTY SHERIFF

**For The Year Ended
December 31, 2004**

The Auditor of Public Accounts has completed the Marshall County Sheriff's audit for the year ended December 31, 2004. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$98,296 from the prior year, resulting in excess fees of \$2,021 as of December 31, 2004. Revenues increased by \$66,856 from the prior year and expenditures increased by \$165,152.

Report Comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Mike Miller, Marshall County Judge/Executive
Honorable Terry Anderson, Marshall County Sheriff
Members of the Marshall County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Marshall County, Kentucky, for the year ended December 31, 2004. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Sheriff for the year ended December 31, 2004, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report December 13, 2005, on our consideration of the Marshall County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Mike Miller, Marshall County Judge/Executive
Honorable Terry Anderson, Marshall County Sheriff
Members of the Marshall County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Marshall County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
December 13, 2005

MARSHALL COUNTY
TERRY ANDERSON, COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2004

Revenues

Federal Grants:

Byrne Formula	\$ 65,149	
Methamphetamine Grant	<u>29,957</u>	\$ 95,106

State Grants:

Highway Safety	\$ 17,762	
Body Armor & Local Safety	<u>3,880</u>	21,642

State - Kentucky Law Enforcement Foundation Program Fund	56,077
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State Fees For Services:

Finance and Administration Cabinet	\$ 165,215	
Cabinet For Human Resources	<u>2,367</u>	167,582

Other Grants:

Oxycontin	10,000
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Circuit Court Clerk:

Fines and Fees Collected	9,359
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Fiscal Court	127,866
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County Clerk - Delinquent Taxes	2,435
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Commission On Taxes Collected	520,295
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Fees Collected For Services:

Auto Inspections	\$ 15,965	
Reports, Tapes, and Photos	1,718	
Serving Papers	30,970	
Carrying Concealed Deadly Weapon Permits	<u>12,394</u>	61,047

Other:

Local Safety Program	\$ 875	
Add-on Fees	87,160	
Sheriff Advertising Fees	9,360	
Auction Proceeds	6,853	
Impounded Vehicles	370	
City of Hardin -Additional Deputy Patrol	7,425	

The accompanying notes are an integral part of this financial statement.

MARSHALL COUNTY
TERRY ANDERSON, COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2004
(Continued)

Revenues (Continued)

Other (Continued):

School Officer	\$	28,701	
Insurance Reimbursements		39,088	
Workers Compensation Reimbursements		4,739	
Other Reimbursements		6,308	
Miscellaneous		<u>176</u>	\$ 191,055

Interest Earned 6,398

Borrowed Money:

State Advancement	<u>108,926</u>
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Total Revenues \$ 1,377,788

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services:

Deputies' Salaries	\$	715,482
Kentucky Law Enforcement Foundation Program		58,811
Overtime		80,587

Contracted Services:

Advertising	10,435
Delinquent Tax Notices	817

Supplies and Materials:

Office Materials and Supplies	15,662
Deputy Supplies	26,201
Bailiff Supplies	443
Uniforms	15,250
Radio	21,963
Radar	210

Other Charges:

Conventions and Travel	12,324
Dues	2,324
Postage	11,773
Bond	1,343
Carrying Concealed Deadly Weapon Permits	5,255
Cellular and Pager	6,828
K-9	7,741
Drug Enforcement	397

The accompanying notes are an integral part of this financial statement.

MARSHALL COUNTY
TERRY ANDERSON, COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2004
(Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay (Continued):

Other Charges (Continued):

Impounded Vehicles	\$	1,155	
Fiscal Court Fees-Serving Papers		10,350	
Deputies' Physicals		2,788	
Blood Alcohol Testing		269	
Jury Meals		172	
Miscellaneous		936	
Transportation Expenses:			
Prisoners		14,227	
Juveniles		8	
Auto Expense:			
Gasoline		35,333	
Maintenance and Repairs		30,861	
Vehicle License and Registration		123	
Tires		5,927	
Capital Outlay:			
Office Equipment		23,846	
Vehicles		50,175	
Vehicle Equipment		16,464	\$ 1,186,480

Debt Service:

State Advancement	108,926
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Total Expenditures	\$ 1,295,406
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Net Revenues	\$ 82,382
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Less: Statutory Maximum	74,232
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Excess Fees	\$ 8,150
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Less: Training Incentive Benefit	6,129
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Excess Fees Due County for 2004	\$ 2,021
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Payment to Fiscal Court - July 21, 2005	2,135
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Refund Due From Fiscal Court at Completion of Audit	\$ (114)
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The accompanying notes are an integral part of this financial statement.

MARSHALL COUNTY
TERRY ANDERSON, COUNTY SHERIFF
NOTES TO FINANCIAL STATEMENT

December 31, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Sheriff as determined by the audit. KRS 134.310 requires the County Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2004 services
- Reimbursements for 2004 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2004

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MARSHALL COUNTY
TERRY ANDERSON, COUNTY SHERIFF
NOTES TO FINANCIAL STATEMENT
December 31, 2004
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months and 8.48 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent for the first six months and 22.08 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2004, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

Note 4. Drug Fund

The Marshall County Sheriff maintains a Drug Forfeiture Fund, as set forth by KRS 218A.435. The account is to be funded by court-ordered forfeiture of money or funds received from the sale of forfeited assets, and interest received on deposits of forfeiture funds. The funds are to be used for various law-enforcement operations, equipment, and education. As of January 1, 2004, the Drug Fund had a balance of \$93. During the year, funds of \$7,044 were received and \$2,437 were expended, leaving an ending balance at December 31, 2004 of \$4,700.

MARSHALL COUNTY
TERRY ANDERSON, COUNTY SHERIFF
NOTES TO FINANCIAL STATEMENT
December 31, 2004
(Continued)

Note 5. DARE Fund

The Marshall County Sheriff's Office maintains a Drug Awareness Resistance Education, or DARE, fund for the promotion of drug awareness and prevention. Funding for the DARE fund is provided primarily by donations from local businesses and organizations, and interest earned on the deposit of these funds. As of January 1, 2004, the DARE fund had a balance of \$4,077. Receipts for 2004, consisting only of interest, were \$7. Disbursements for DARE activities and supplies were \$2,503. The balance of the DARE fund as of December 31, 2004 totaled \$1,581.

Note 6. Transient Fund

The Marshall County Sheriff's Office maintains a Transient Fund for the purpose of aiding community welfare and those in need. The fund was set up by local churches in the community with the Sheriff being named its custodian to provide help to people with special monetary needs such as food or shelter. The Transient Fund is entirely funded by contributions from the various local churches involved. As of January 1, 2004, the Transient Fund had a balance of \$1,784. Receipts for 2004 totaled \$1,718, and disbursements totaled \$1,452. The balance of the Transient Fund as of December 31, 2004 totaled \$2,050.

Note 7. Kentucky Law Enforcement Foundation Program Fund

The Marshall County Sheriff's Office participates in the Kentucky Law Enforcement Foundation Training Incentive Program. This program, administered by the Kentucky Justice Cabinet, is designed to adequately train the Sheriff and his officers. During the year, grant funds of \$56,077 were received.

Note 8. Grants

A. Byrne Formula Grant

The Marshall County Sheriff's office was awarded a Byrne Formula Grant for the Tri-County Drug Task Force in October 2000 in the amount of \$219,875. During the year ended December 31, 2004, grant funds in the amount of \$65,149 were received.

B. Methamphetamine Grant

The Pennyrile Narcotics Task Force, of which the Marshall County Sheriff's office is a member, was awarded a Methamphetamine Grant in July 2000. During the year ended December 31, 2004, grant funds in the amount of \$29,957 were received.

C. Highway Safety Grant

The Marshall County Sheriff's office was awarded funds through the Governor's Highway Safety Program. During the year ended December 31, 2004, grant funds in the amount of \$17,762 were received.

MARSHALL COUNTY
TERRY ANDERSON, COUNTY SHERIFF
NOTES TO FINANCIAL STATEMENT
December 31, 2004
(Continued)

D. Kentucky Body Armor Program Grant

The Marshall County Sheriff's office was awarded funds through the Kentucky Body Armor Program. During the year ended December 31, 2004, grant funds in the amount of \$3,880 were received.

E. Oxycontin Grant

The Marshall County Sheriff's office was awarded funds from Purdue Pharmaceuticals as part of a lawsuit settlement pertaining to the drug Oxycontin and its addictiveness. The grant is restrictive in its use and is to be used to improve agencies' ability to respond to prescription drug abuse cases. During the year ended December 31, 2004, grant funds in the amount of \$10,000 were received.

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COMMENT AND RECOMMENDATION

MARSHALL COUNTY
TERRY ANDERSON, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2004

INTERNAL CONTROL - REPORTABLE CONDITIONS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's Office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size, and budget restrictions, the official has limited options for establishing an adequate segregation of duties. We are recommending that the following compensating controls be implemented to offset this internal control weakness:

- The Sheriff should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. He could document this by initialing the bank deposit, daily deposit, and receipts ledger.
- The Sheriff should compare the quarterly financial report to receipts and disbursements ledgers for accuracy. The Sheriff should also compare the salaries listed on the quarterly report to the individual earnings records. Any differences should be reconciled. The Sheriff could document this by initialing the quarterly financial report.
- The Sheriff should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Sheriff could document this by initialing the bank reconciliation and the balance in the checkbook.

Sheriff's Response:

None

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Mike Miller, Marshall County Judge/Executive
Honorable Terry Anderson, Marshall County Sheriff
Members of the Marshall County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Marshall County Sheriff for the year ended December 31, 2004, and have issued our report thereon dated December 13, 2005. The County Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marshall County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Marshall County Sheriff's financial statement for the year ended December 31, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
December 13, 2005

